

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

In re  
OMNIVISION TECHNOLOGIES, INC.

)  
) Master File No.  
) C-04-2297 SC  
)

This Document Relates To:

CASE NOS. 04-2297-SC, 04-2298-SC,  
04-2385-SC, 04-2410-SC, 04-2419-SC,  
04-2425-SC, 04-2433-SC, 04-2474-SC,  
04-2514-SC, 04-2525-SC, 04-2570-SC,  
and 04-4350-SC

) ORDER GRANTING  
) PLAINTIFFS' MOTION  
) FOR FINAL APPROVAL OF  
) SETTLEMENT AND THE  
) PLAN OF ALLOCATION;  
) APPROVING APPLICATION  
) FOR FEES AND EXPENSES  
)

**I. INTRODUCTION**

On May 14, 2007, the parties in this litigation stipulated to a settlement of all claims. See Stipulation of Settlement, Docket No. 213 ("Settlement"). The parties then sought and received the Court's preliminary approval of the Settlement. See Docket Nos. 218, 220. Lead Plaintiffs Ken Churchill as Trustee for the Churchill Family Trust, Gerald A. Madore, Rocco Peters and Michael J. Hannan on behalf of Coyote Growth Management ("Lead Plaintiffs") now move the Court for final approval of the Settlement and Plan of Allocation. See Docket No. 222 ("Motion for Settlement"). The Lead Plaintiffs also move the Court to approve their counsel's application for fees and reimbursement of costs. See Docket No. 223 ("Motion for Fees").

The Court received objections to the Settlement from Patricia A. Rivera and Elvin M. Rivera ("the Riveras"), Steven P. Wierzba,

1 and James J. Hayes. See Docket Nos. 232 ("Rivera Obj."), 235  
2 ("Wierzba Obj."), 236 ("Hayes Obj."). Defendants and Lead  
3 Plaintiffs both responded to these objections. See Docket Nos.  
4 238 ("Def. Response"), 241 ("Pl. Response"). The Court held a  
5 fairness hearing on this matter on September 7, 2007, at which Mr.  
6 Wierzba addressed the Court and submitted an additional statement  
7 in support of his objections to the Settlement. See Docket No.  
8 242 ("Wierzba Supp. Obj.).

9 Having considered all of the arguments and evidence submitted  
10 by the parties, the Court hereby GRANTS Lead Plaintiffs' Motion  
11 for Settlement and Motion for Fees.

## 12 13 **II. BACKGROUND**

14 Plaintiff Mitchell Vince brought this class action suit in  
15 June 2004, alleging violations of the Securities Exchange Act of  
16 1934. See Compl., Docket No. 1. This suit was one of many  
17 addressing common issues of law and fact, all of which the Court  
18 consolidated in July 2004. See Order Consolidating and Relating  
19 Cases for Purposes of Discovery and Pre-Trial, Docket No. 9.

20 Generally, Plaintiffs allege that defendant OmniVisison  
21 Technologies, Inc. ("OmniVision"), and individual defendants Shaw  
22 Hong, Raymond Wu, H. Gene McCown, and John T. Rossi (collectively  
23 "Defendants") issued materially false and misleading press  
24 releases and other statements regarding OmniVision's financial  
25 results in order to artificially inflate the value of OmniVision's  
26 common stock. On the morning of June 9, 2004, Defendants  
27 announced that OmniVision would not release its financial results

1 for the 2004 fiscal year at that time and that they were  
2 considering a restatement of the company's financial results for  
3 the first three quarters of that year. See 2d Consol. Am. Compl.  
4 ("Operative Complaint"), Docket No. 131, ¶ 5. The announcement  
5 precipitated a mass sell-off of OmniVision shares, causing the  
6 price to plummet \$7.84 per share from the previous day's closing  
7 price of \$25.47, an overnight drop of over 30% per share. Id. ¶  
8 6. Plaintiffs allege that Defendants violated Section 10(b) of  
9 the Securities Exchange Act and Rule 10b-5 thereunder, and that  
10 the individual Defendants, as the persons controlling OmniVision,  
11 violated Section 20(a) of the Securities Exchange Act. See id. ¶¶  
12 131-145.

13 On May 14, 2007, the parties executed a Stipulation of  
14 Settlement ("Settlement"). See Docket No. 213. Pursuant to the  
15 Settlement, Defendants were to pay \$13,750,000 in cash into the  
16 Settlement Fund. Id. ¶ 2.1(a). The Settlement further provided  
17 that the Settlement Fund would be used to pay Lead Counsel's fees  
18 to the extent permitted by the Court, reasonable costs and  
19 expenses of the litigation, and taxes and tax-related expenses,  
20 with the balance (the "Net Settlement Fund") distributed to Class  
21 Members who submitted timely, valid proof of claim forms. Id. ¶  
22 5.2(a)-(d). The Net Settlement Fund was to be distributed  
23 according to the Plan of Allocation, if approved by the Court.  
24 Id. ¶ 5.2(d); see also id. Ex. A-1 at 14-16 ("Plan of  
25 Allocation").

26 The Class includes those who purchased or acquired shares of  
27 OmniVision common stock between June 11, 2003, and June 9, 2004  
28

(the "Class Period"). The Plan of Allocation provides no recognizable claim (i.e., recovery of \$0.00) for shares purchased between June 11, 2003, and June 8, 2004, and sold prior to June 8, 2004. See Plan of Allocation. Similarly, shares purchased on June 9, 2004, would receive no recognizable claim. Id. For those shares purchased between June 11, 2003, and June 8, 2004, and sold on June 9, 2004, or held at the close of trading on June 9, 2004, the Plan of Allocation sets a recognizable claim as the least of (1) \$7.84 per share (the decline in price per share from June 8, 2004, to June 9, 2004); (2) the purchase price of the stock (not to exceed \$25.47 per share) less the sales proceeds; or (3) the purchase price of the stock less \$17.63 (the closing price on June 9, 2004). See id.

The Court preliminarily approved the Settlement on May 25, 2007. Order Preliminarily Approving Settlement & Providing For Notice ("Notice Order"), Docket No. 220. Pursuant to the Notice Order, the claims administrator, Giraldi & Co. LLC ("Administrator"), sent notice of the proposed settlement to the class members beginning on June 12, 2007. Sylvester Aff. ¶ 3. As of August 29, 2007, the Administrator had mailed notice to 57,630 potential class members. Sylvester Supp. Aff. ¶ 5. The Administrator has also posted the notice and Settlement on its website. Sylvester Aff. ¶ 8. Plaintiffs also published the Summary Notice in the Wall Street Journal and distributed it over the Business Wire. See Andrejkovis Aff. ¶ 2, Exs. A, B.

The Administrator received four requests to be excluded from the Settlement. Sylvester Supp. Aff. ¶ 6, Exs. A, B.

1 Additionally, the Court received objections to the Settlement from  
2 the Riveras, Wierzba, and Hayes. See Rivera Obj.; Wierzba Obj.;  
3 Hayes Obj.

4 The Riveras purchased 355 shares of OmniVision stock during  
5 the Class Period, but sold them prior to June 8, 2004. Rivera  
6 Obj. The Riveras do not object to the terms of the Settlement or  
7 to the requested attorney's fees; rather, they object only to the  
8 Plan of Allocation. See id. Because the Riveras sold their  
9 OmniVision stock before June 8, 2004, they will not recover  
10 anything under the Plan of Allocation as it stands.

11 Hayes purchased 1000 shares of OmniVision stock on June 9,  
12 2004. Hayes Obj. Hayes objects to the Settlement as a whole,  
13 arguing that the amount Defendants must pay into the Settlement  
14 Fund is inadequate, and that the Settlement is tainted by the  
15 recent indictments of Plaintiffs' Lead Counsel's law firm, Milberg  
16 Weiss LLP,<sup>1</sup> and two of its partners. See id. Like the Riveras,  
17 Hayes will not recover anything under the Plan of Allocation.

18 Wierzba purchased 3000 shares and sold 1000 shares of  
19 OmniVision common stock during the Class Period. Wierzba Supp.  
20 Obj. Like Hayes, Wierzba objects to the involvement of Milberg  
21 Weiss. Id. According to Wierzba, "This appears to be yet another  
22 case constructed to benefit Milberg Weiss, and not a genuine class  
23 action suit." Wierzba Obj. Wierzba maintains that OmniVision is

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25 <sup>1</sup>At the outset of this litigation, Milberg Weiss LLP was known  
26 as Milberg Weiss Bershad & Schulman LLP, which subsequently became  
27 known as Milberg Weiss & Bershad LLP, before adopting its current  
28 name. For the purposes of this order, there is no need to  
distinguish between the different entities. For convenience, the  
Court will refer to the firm simply as "Milberg Weiss."

a profitable and innovative company and that OmniVision management never misled anyone. Wierzba Supp. Obj.

### III. MOTION FOR SETTLEMENT

#### A. Legal Standards Governing Settlement

Settlement of a class action law suit requires approval of the court. See Fed. R. Civ. P. 23(e). The court must find that the proposed settlement is fundamentally fair, adequate, and reasonable. Staton v. Boeing Co., 327 F.3d 938, 959 (9th Cir. 2003) (citing Hanlon v. Chrysler Corp., 150 F.3d 1011, 1026 (9th Cir. 1998)). In making this determination, the court may consider any or all of the following factors, if applicable:

the strength of plaintiffs' case; the risk, expense, complexity, and likely duration of further litigation; the risk of maintaining class action status throughout the trial; the amount offered in settlement; the extent of discovery completed, and the stage of the proceedings; the experience and views of counsel; the presence of a governmental participant; and the reaction of the class members to the proposed settlement.

Officers for Justice v. Civil Serv. Comm'n, 688 F.2d 615, 625 (9th Cir. 1982). This list is not intended to be exhaustive; the court must consider the applicable factors in the context of the case at hand. See id. Where, as here, the parties agree to settle the dispute prior to certification of the class, the court must be particularly vigilant in its scrutiny of the settlement. Hanlon, 150 F.3d at 1026.

Despite the importance of fairness, the court must also be mindful of the Ninth Circuit's policy favoring settlement,

1 particularly in class action law suits. See, e.g., Officers for  
2 Justice, 688 F.2d at 625 ("Finally, it must not be overlooked that  
3 voluntary conciliation and settlement are the preferred means of  
4 dispute resolution. This is especially true in complex class  
5 action litigation. . . .").

6 While balancing all of these interests, the court's inquiry  
7 is ultimately limited "to the extent necessary to reach a reasoned  
8 judgment that the agreement is not the product of fraud or  
9 overreaching by, or collusion between, the negotiating parties."  
10 Id. The court, in evaluating the agreement of the parties, is not  
11 to reach the merits of the case or to form conclusions about the  
12 underlying questions of law or fact. See id.

13 **B. The Risk of Continued Litigation**

14 The first relevant factor in the present matter is the risk  
15 of continued litigation balanced against the certainty and  
16 immediacy of recovery from the Settlement. See Dunleavy v. Nadler  
17 (In re Mego Fin. Corp. Sec. Litig.), 213 F.3d 454, 458 (9th Cir.  
18 2000). Although Plaintiffs' case has survived two motions to  
19 dismiss, see Docket Nos. 128, 142, it still faces numerous  
20 hurdles. For example, when the parties entered serious settlement  
21 discussions, Plaintiffs' Motion for Class Certification was still  
22 pending before the Court, and has been taken off calendar because  
23 of the Settlement. See Docket Nos. 179, 206. Defendants opposed  
24 class certification. See Docket No. 190. That motion may be  
25 outcome-determinative in itself. If the Court were to refuse  
26 certification, the unrepresented potential plaintiffs would likely  
27 lose their chance at recovery entirely. Even if the Court were to  
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1 certify the class, there is no guarantee the certification would  
2 survive through trial, as Defendants might have sought  
3 decertification or modification of the class.

4       Setting aside certification, Plaintiffs still faced a number  
5 of problems in actually proving their case on the merits. The  
6 Securities and Exchange Commission has already investigated  
7 Defendants' restatement of OmniVision's earnings and decided not  
8 to take further action, suggesting some weaknesses on the merits.  
9 See Westerman Decl. ¶¶ 83, 85. Lead Counsel believes that if the  
10 case were to proceed, Defendants would likely move for summary  
11 judgment on the issues of scienter, loss causation, and damages.  
12 See id. ¶¶ 77, 84. Prior to settlement negotiations, Plaintiffs  
13 sought the Court's assistance in collecting evidence from third-  
14 parties in Hong Kong, pursuant to the Hague Convention, which  
15 Defendants also opposed. See Docket Nos. 192, 201. It is  
16 therefore unclear whether Plaintiffs would even be able to secure  
17 the evidence they believe supports the case. Finally, merely  
18 reaching trial is no guarantee of recovery.

19       The amount Plaintiffs might recover if they prevailed at  
20 trial is uncertain. A number of factors, including general market  
21 conditions and the non-misleading forecasts in the June 9  
22 statement, may have affected the portion of the damages  
23 attributable to Defendants' purportedly misleading statements. If  
24 the case goes to trial, Plaintiffs' attorneys' fees and costs  
25 would increase steadily, cutting further into any award they might  
26 receive. Litigation is also time-consuming; if Defendants were to  
27 appeal a jury verdict in favor of Plaintiffs, it could be years  
28



1 before Plaintiffs see a dollar.

2 Against all of this, the Settlement, which offers an  
3 immediate and certain award for a large number of potential class  
4 members, appears a much better option. As Defendants agree to the  
5 class certification for the purposes of the Settlement, there is  
6 much less risk of anyone who may have actually been injured going  
7 away empty-handed. This factor therefore favors approval of the  
8 Settlement.

9 **C. Amount of Settlement**

10 Under the circumstances, the Court finds that the amount of  
11 the Settlement is reasonable. Plaintiffs' damages expert  
12 estimated damages totaling approximately \$151.8 million.  
13 Westerman Decl. ¶ 84. Defendants estimate that the total damages  
14 if Plaintiffs prevailed on all claims would be between \$15.1  
15 million and \$18.6 million. Def. Response, at 2. The Settlement  
16 will give Plaintiffs \$13.75 million, which is just over 9% of the  
17 maximum potential recovery asserted by either party. After  
18 accounting for attorneys' fees and costs, the Settlement will give  
19 Plaintiffs a certain recovery in excess of 6% of the potential.  
20 This is higher than the median percentage of investor losses  
21 recovered in recent shareholder class action settlements. See In  
22 re Heritage Bond Litig., No. 02-ML-1475-DT, 2005 U.S. Dist. LEXIS  
23 13627, at \*27-28 (C.D. Cal. June 10, 2005) (median amount  
24 recovered in settlement was 2.7% in 2002, 2.8% in 2003, 2.3% in  
25 2004, 3% in 2005, and 2.2% in 2006).

26 While this percentage may seem small compared to the  
27 potential maximum, that alone is not sufficient reason to reject  
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1 the Settlement. "It is well-settled law that a cash settlement  
2 amounting to only a fraction of the potential recovery does not  
3 per se render the settlement inadequate or unfair." Officers for  
4 Justice, 688 F.2d at 628. Plaintiffs here have agreed to accept a  
5 smaller certain award rather than seek the full recovery but risk  
6 getting nothing. The Court finds the amount agreed upon by the  
7 parties reasonable. This factor therefore weighs in favor of  
8 approval of the Settlement.

9 **D. Extent of Discovery**

10 The extent of the discovery conducted to date and the stage  
11 of the litigation are both indicators of Lead Counsel's  
12 familiarity with the case and of Plaintiffs having enough  
13 information to make informed decisions. See, e.g., Dunleavy, 213  
14 F.3d at 459. To date, Lead Counsel has taken or defended eleven  
15 depositions and noticed eight more. Westerman Decl. ¶¶ 53-55.  
16 Lead Counsel has also issued approximately fifty subpoenas  
17 requesting documents from third parties, has propounded numerous  
18 document requests to Defendants, and has engaged in substantive  
19 review of the tens of thousands of documents received. Id. ¶¶ 39-  
20 46. In addition to discovery, Lead Counsel has briefed numerous  
21 substantive motions and prepared for and participated in a  
22 successful mediation. See id. ¶¶ 30-32, 35-37, 47-52, 56-58. The  
23 Court is confident that Lead Counsel in this matter is thoroughly  
24 familiar with the facts of this case and was therefore able to  
25 help Plaintiffs make an informed decision regarding the merits of  
26 the Settlement.

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### **E. Experience of Counsel**

"The recommendations of plaintiffs' counsel should be given a presumption of reasonableness." Boyd v. Bechtel Corp., 485 F. Supp. 610, 622 (N.D. Cal. 1979). In addition to being familiar with the present dispute, Lead Counsel has significant expertise in securities litigation.<sup>2</sup> See id. ¶ 107. There is nothing to counter the presumption that Lead Counsel's recommendation is reasonable. Therefore, the recommendation of counsel also weighs in favor of approving the Settlement.

#### F. Reaction of the Class

"It is established that the absence of a large number of objections to a proposed class action settlement raises a strong presumption that the terms of a proposed class settlement action are favorable to the class members." Nat'l Rural Telecomms. Coop. v. DIRECTV, Inc., Case No. CV 99-5666 LGB, 2004 U.S. Dist. LEXIS 11458, at \*17 (C.D. Cal. Jan. 5, 2004). After receiving notice of the proposed settlement, the Class in this suit has been nearly silent. The Court received objections from only 3 out of 57,630 potential Class Members who received the notice.<sup>3</sup> By any

<sup>2</sup>The relevance of recent indictments against Milberg Weiss is discussed below.

<sup>3</sup>In responding to the three objections, Plaintiffs also address a press release issued by Theodore Bechtold, another securities lawyer. See Pl. Response at 9-16. Bechtold has not filed an objection or appeared in this matter on his own behalf or on behalf of other Class Members. That he communicated with class members based on a grudge he allegedly has against Milberg Weiss is of no concern to the Court, as Plaintiffs do not identify any tangible negative effect resulting from the press release. The Court bases its decision on the arguments and evidence on the record, and will not comment further on what Plaintiffs have accurately termed a "sideshow."

1 standard, the lack of objection of the Class Members favors  
2 approval of the Settlement. See, e.g., Churchill Village LLC v.  
3 Gen. Elec., 361 F.3d 566, 577 (9th Cir. 2004) (affirming  
4 settlement with 45 objections out of 90,000 notices sent);  
5 Rodriguez v. West Publ. Corp., Case No. CV05-3222 R, 2007 U.S.  
6 Dist. LEXIS 74767, at \*33 (C.D. Cal. Sept. 10, 2007) (54  
7 objections out of 376,000 notices).

8 The Court now turns its attention to the specific objections  
9 presented in this case.

10 1. The Rivera Objection

11 Simply put, there is no basis for the Riveras to recover  
12 damages. They bought and sold all of their OmniVision shares  
13 during the Class Period and held none at the time of the  
14 purportedly corrective disclosure. See Rivera Obj. Where an  
15 investor sells his shares "before the relevant truth begins to  
16 leak out, the misrepresentation will not have led to any loss."  
17 Dura Pharm., Inc. v. Broudo, 544 U.S. 336, 342 (2005); see also In  
18 re Cornerstone Propane Partners, L.P. Sec. Litig., No. C 03-2522  
19 MHP, 2006 U.S. Dist. LEXIS 25819, at \*27-28 (N.D. Cal. May 3,  
20 2006) (plaintiffs who bought and sold stock before corrective  
21 disclosure cannot prove loss causation and therefore are not  
22 entitled to recover). The Riveras claim that OmniVision's  
23 financial difficulties were apparent prior to the June 9, 2004,  
24 disclosure, and argue that the Settlement penalizes those  
25 investors who were proactive and sold prior to that date to  
26 protect their investments. However, the Operative Complaint  
27 contains no allegations that any information regarding  
28

1 OmniVision's true financial situation came out prior to the June 9  
 2 corrective statement. See Operative Compl. ¶¶ 55-59. As such,  
 3 Plaintiffs - including the Riveras - cannot recover for any change  
 4 in price prior to June 9, 2004. See Sparling v. Daou (In re Daou  
 5 Sys., Inc. Sec. Litig.), 411 F.3d 1006, 1026-27 (9th Cir. 2005),  
 6 cert. denied, 126 S. Ct. 1335 (2006) (decline in stock price  
 7 cannot be causally related to fraudulent accounting practices  
 8 where price dropped before alleged revelation of fraud).

## 9 2. The Hayes Objection

10 Hayes purchased OmniVision stock after the June 9, 2004,  
 11 corrective disclosure. As such, he cannot have reasonably relied  
 12 on OmniVision's alleged prior misrepresentations about the  
 13 company's financials. What's more, Hayes purchased the OmniVision  
 14 shares after the stock price dropped, so he did not suffer any  
 15 injury as a result of the alleged prior representation. Because  
 16 Defendants did not cause any injury to Hayes, Hayes lacks standing  
 17 to object to the Settlement, regardless of his membership in the  
 18 Class.<sup>4</sup> See Welford v. Gaekle (In re First Capital Holdings Corp.  
 19

20 <sup>4</sup>Even if Hayes had standing, his objections lack merit. Hayes  
 21 objects first to the involvement of Milberg Weiss in the Settlement  
 22 negotiation. The Court addresses this issue below, in the context  
 23 of the Wierzba Objection. Hayes also objects to the Settlement  
 amount, arguing without support that it should be a minimum of \$98  
 million, and as much as \$196 million. Even with these figures, the  
 Settlement would represent a recovery of 4.3%, which the Court  
 would still find adequate for the reasons outlined above.

24 Hayes claims that Plaintiffs withheld information necessary to  
 25 make a competent evaluation of the Settlement, but provides no  
 26 basis for this allegation. The parties did not agree about the  
 27 total amount of damages at stake, and Plaintiffs were therefore not  
 bound to disclose that sum. See 15 U.S.C. § 78u-4(a)(7)(B)(i) ("If  
 the settling parties agree on the average amount of damages per  
 share that would be recoverable if the plaintiff prevailed on each  
 claim alleged under this title," the disclosure of proposed

1 Fin. Prods. Sec. Litig.), 33 F.3d 29, 30 (9th. Cir. 1994) ("Simply  
2 being a member of a class is not enough to establish standing. One  
3 must be an aggrieved class member.").

4 3. The Wierzba Objection

5 Mr. Wierzba is a Class Member and is eligible to recover  
6 under the Plan of Allocation. His objection is not that the  
7 Settlement provides too small a recovery to Plaintiffs but that it  
8 provides a recovery at all. See Wierzba Obj. Wierzba believes  
9 that OmniVision is a healthy and innovative company, that its  
10 leadership did not mislead anyone, and that the entire lawsuit was  
11 constructed for the benefit of Milberg Weiss rather than the  
12 benefit of the Class. See id.; Wierzba Supp. Obj.

13 Essentially, Wierzba alleges a conspiracy involving hedge  
14 funds, financial analysts, and Milberg Weiss attorneys to attack  
15 OmniVision and create fear among investors, and then to profit  
16 from that fear. See Wierzba Supp. Obj. at 2-4. It is unfortunate  
17 that recent indictments against Milberg Weiss and its attorneys  
18 make these allegations appear less fanciful than they might have  
19 appeared a few years ago. They are fanciful nonetheless.

20 Wierzba offers no evidence to support his allegations, and  
21 nothing to connect Milberg Weiss's purported wrongdoings in other  
22

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23 settlement to all class members shall include "a statement  
24 concerning the average amount of such potential damages per  
share.").

25 Hayes believes the Class should proceed with the litigation to  
26 have a chance of winning the "lottery" in the form of a full  
27 recovery. It is easy for Hayes to discount the value of a certain  
28 and immediate recovery given that he has not actually suffered any  
injury. The Class has already chosen, reasonably, to reject that  
gamble.

1 actions to this case. For example, Wierzba notes that Milberg  
2 Weiss has filed numerous lawsuits on behalf of the same client,  
3 Seymour Lazar. Id. at 3. Despite Wierzba's assertion that  
4 Milberg Weiss brought this suit "with Mr. Lazar, family and  
5 friends as lead plaintiffs," see Wierzba Obj., Lazar is not a  
6 party to this suit, nor is there evidence of a connection between  
7 him and any of the actual plaintiffs. Milberg Weiss is Lead  
8 Counsel, but this suit was consolidated from actions brought by  
9 many different plaintiffs with many different attorneys, many of  
10 whom sought to be designated as lead plaintiffs and lead counsel.  
11 It is therefore difficult to see how the lawsuit as a whole can be  
12 attributed to a Milberg Weiss conspiracy. Neither this lawsuit  
13 nor the parties involved in it were mentioned in the indictments  
14 against Milberg Weiss. Pl. Response at 5; see Lin Decl., Exs. D  
15 (Indictment against Milberg Weiss Bershad & Schulman LLP), E  
16 (Statement of David Bershad). The primary Milberg Weiss attorneys  
17 working on this matter have not been implicated in any wrongdoing.  
18 Pl. Response at 5.

19 While the integrity of counsel is critical to the integrity  
20 of the Settlement, there is no evidence of wrongdoing by counsel,  
21 and therefore no basis for rejecting the Settlement. The prior  
22 actions of Milberg Weiss and certain of its attorneys, in and of  
23 themselves, are not sufficient basis to tar every client the firm  
24 has represented. The Court is satisfied that Lead Counsel and  
25 Lead Plaintiffs in this matter have fairly represented the  
26 interests of the Class. There is no evidence to the contrary.

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1           **G. Plan of Allocation**

2           "Approval of a plan of allocation of settlement proceeds in a  
3 class action . . . is governed by the same standards of review  
4 applicable to approval of the settlement as a whole: the plan must  
5 be fair, reasonable and adequate." In re Oracle Sec. Litig., No.  
6 C-90-0931-VRW, 1994 U.S. Dist. LEXIS 21593, at \*3 (N.D. Cal. June  
7 16, 1994) (citing Class Pls. v City of Seattle, 955 F.2d 1268,  
8 1284-85 (9th Cir 1992)). It is reasonable to allocate the  
9 settlement funds to class members based on the extent of their  
10 injuries or the strength of their claims on the merits. See id.  
11 at \*3-4 (citing In re Gulf Oil/Cities Serv. Tender Offer Litig.,  
12 142 F.R.D., 588, 596 (S.D.N.Y. 1992)).

13           The Plan of Allocation proposed here meets these criteria.  
14 The Class contains anyone who bought shares of OmniVision common  
15 stock during the Class Period. The Plan of Allocation divides the  
16 shares held by Class Members into three distinct groups: (1)  
17 shares sold prior to the corrective disclosure on June 9, 2004;  
18 (2) shares purchased before June 9, 2004, and sold on or after  
19 that date; and (3) shares purchased on June 9, 2004 (the last day  
20 of the Class Period). See Plan of Allocation. The Plan of  
21 Allocation sets the "Recognized Claim" for the shares in the first  
22 and third groups to \$0.00 per share. See id. The owners of the  
23 first group of shares suffered no injury because they sold before  
24 Defendants issued the corrective statement that Plaintiffs allege  
25 precipitated the 30% price drop. See Dura Pharm., 544 U.S. at  
26 342. The Riveras fall into this category. See Section III(F)(1),  
27 supra. The owners of the shares in the third group purchased



1 their stock after the corrective disclosure and therefore cannot  
2 have reasonably relied on Defendants' alleged misrepresentations  
3 to their detriment. Hayes falls into this category. See Section  
4 III(F)(2), supra.

5 The Plan of Allocation appropriately disburses the Net  
6 Settlement Fund to Class Members who owned shares in the second  
7 group - the only Class Members to suffer any injury. Because the  
8 disbursement is allocated on a per-share basis, each Class Member  
9 will receive a portion of the Net Settlement Fund proportional to  
10 the number of shares owned in the second group, and therefore  
11 proportional to actual injury.

#### 12 13 **IV. MOTION FOR FEES**

##### 14 **A. Legal Standards Governing Attorneys' Fees**

15 It is well established that "a private plaintiff, or his  
16 attorney, whose efforts create, discover, increase or preserve a  
17 fund to which others also have a claim is entitled to recover from  
18 the fund the costs of his litigation, including attorneys' fees."  
19 Vincent v. Hughes Air W., Inc., 557 F.2d 759, 769 (9th Cir. 1977).  
20 This rule, known as the "common fund doctrine," is designed to  
21 prevent unjust enrichment by distributing the costs of litigation  
22 among those who benefit from the efforts of the litigants and  
23 their counsel. See Paul, Johnson, Alston, & Hunt v. Graulity, 886  
24 F.2d 268, 271 (9th Cir. 1989) ("Paul, Johnson").

25 In the Ninth Circuit, district courts presiding over common  
26 fund cases have the discretion to award attorneys' fees based on  
27 either the lodestar method (essentially a modification of hourly  
28

1 billing) or the percentage method proposed here. Chem. Bank v.  
2 City of Seattle (In re Wash. Pub. Power Supply Sys. Sec. Litig.),  
3 19 F.3d 1291, 1296 (9th Cir. 1994). Despite this discretion, use  
4 of the percentage method in common fund cases appears to be  
5 dominant. See, e.g., Vizcaino v. Microsoft Corp., 290 F.3d 1043,  
6 1047 (9th Cir. 2002); Six Mexican Workers v. Ariz. Citrus Growers,  
7 904 F.2d 1301, 1311 (9th Cir. 1990); Paul, Johnson, 886 F.2d at  
8 272. The advantages of using the percentage method have been  
9 described thoroughly by other courts. See, e.g., In re Activision  
10 Sec. Litig., 723 F. Supp. 1373, 1374-77 (N.D. Cal. 1989)  
11 (collecting authority and describing benefits of the percentage  
12 method over the lodestar method). The Court finds those  
13 advantages persuasive, and adopts the percentage method in this  
14 matter.

15 The ultimate goal under either method of determining fees is  
16 to reasonably compensate counsel for their efforts in creating the  
17 common fund. See Paul, Johnson, 886 F.2d at 271-72. It is not  
18 sufficient to arbitrarily apply a percentage; rather the district  
19 court must show why that percentage and the ultimate award are  
20 appropriate based on the facts of the case. Vizcaino, 290 F.3d at  
21 1048. The Ninth Circuit has approved a number of factors which  
22 may be relevant to the district court's determination: (1) the  
23 results achieved; (2) the risk of litigation; (3) the skill  
24 required and the quality of work; (4) the contingent nature of the  
25 fee and the financial burden carried by the plaintiffs; and (5)  
26 awards made in similar cases. See id. at 1048-50. It is no  
27 surprise that these factors are similar to those used in  
28

1 evaluating the adequacy of a settlement.

2 **B. Results Achieved**

3 The overall result and benefit to the class from the  
4 litigation is the most critical factor in granting a fee award.  
5 Heritage Bond, 2005 U.S. Dist. LEXIS 13627, at \*27. As previously  
6 discussed, the Settlement creates a total award of approximately  
7 9% of the possible damages, which is more than triple the average  
8 recovery in securities class action settlements. Id. at \*27-28;  
9 see also Section III(C), supra; Westerman Decl. ¶ 84. This is a  
10 substantial achievement on behalf of the class, and weighs in  
11 favor of granting the requested 28% fee.

12 **C. Risk of Litigation**

13 The risk that further litigation might result in Plaintiffs  
14 not recovering at all, particularly a case involving complicated  
15 legal issues, is a significant factor in the award of fees. See  
16 Vizcaino, 290 F.3d at 1038. Plaintiffs did not face an easy path  
17 if they continued to trial. Although they had survived two  
18 motions to dismiss, the Court had not yet certified the class, and  
19 Defendants were likely to move for summary judgment on the issues  
20 of loss causation and scienter. See id. ¶¶ 77, 84. The parties'  
21 estimates of possible damages varied dramatically, such that if  
22 Plaintiffs prevailed on liability but Defendants prevailed on  
23 damages, the reward could have been even smaller. Even if they  
24 proceeded to trial before a jury, the outcome remained uncertain.  
25 In the last five years, only two securities class action lawsuits  
26 in this district have resulted in verdicts, both of which were for  
27 defendants. See Dan Levine, JDS Uniphase Scores a Win in

1 Securities Case, THE RECORDER, November 28, 2007.<sup>5</sup> Nationwide,  
2 Plaintiffs have won only three of eleven such cases to reach  
3 verdicts since 1996. Id. The risk that Plaintiffs would have  
4 recovered less, if anything, also supports granting the requested  
5 fee.

6 **D. Skill of Counsel**

7 The "prosecution and management of a complex national class  
8 action requires unique legal skills and abilities." Edmonds v.  
9 United States, 658 F. Supp. 1126, 1137 (D.S.C. 1987). This is  
10 particularly true in securities cases because the Private  
11 Securities Litigation Reform Act makes it much more difficult for  
12 securities plaintiffs to get past a motion to dismiss. See, e.g.,  
13 In re Ikon Office Solutions, Inc., 194 F.R.D. 166, 181, 194 (E.D.  
14 Pa. 2000). That Plaintiffs' case withstood two such motions,  
15 despite other weaknesses, is some testament to Lead Counsel's  
16 skill. This factor also supports the requested fee.

17 **E. Contingent Nature of the Fee**

18 The importance of assuring adequate representation for  
19 plaintiffs who could not otherwise afford competent attorneys  
20 justifies providing those attorneys who do accept matters on a  
21 contingent-fee basis a larger fee than if they were billing by the  
22 hour or on a flat fee. See Chem. Bank, 19 F.3d at 1299-1300;  
23 Vizcaino, 290 F.3d at 1050. This suit began over three years ago.  
24 During that time, the various attorneys representing Plaintiffs  
25 have spent over 7500 hours litigating this case, without receiving

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27 <sup>5</sup>Online: <http://www.law.com/jsp/article.jsp?id=1196181563591>

1 any compensation. See Williams Decl., Kahn Decl., Weiss Decl., De  
2 Bartolomeo Decl., Piven Decl., McKenna Decl., and Gregorek Decl.  
3 (Compendium of Declarations in Support of Application for  
4 Attorneys' Fees and Reimbursement of Expenses ("Fees Compendium"),  
5 Docket No. 228). Counsel also advanced over \$560,000 in expenses  
6 related to prosecuting this action. Westerman Decl. ¶ 98. This  
7 substantial outlay, when there is a risk that none of it will be  
8 recovered, further supports the award of the requested fees.

9 **F. Awards in Similar Cases**

10 The percentage of the Settlement Fund that Lead Counsel seeks  
11 is slightly in excess of the benchmark of 25% established by the  
12 Ninth Circuit. See, e.g., Powers v. Eichen, 229 F.3d 1249, 1256  
13 (9th Cir. 2000). However, in most common fund cases, the award  
14 exceeds that benchmark. Activision, 723 F. Supp. at 1377-78  
15 (surveying securities cases nationwide and noting, "This court's  
16 review of recent reported cases discloses that nearly all common  
17 fund awards range around 30%. . . ."); see also Ikon Office  
18 Solutions, 194 F.R.D. at 194 ("The median in class actions is  
19 approximately twenty-five percent, but awards of thirty percent  
20 are not uncommon in securities class actions."). The Activision  
21 court concluded that, where a court adopts the percentage method,  
22 "absent extraordinary circumstances that suggest reasons to lower  
23 or increase the percentage, the rate should be set at 30%." 723  
24 F. Supp. at 1378. Plaintiffs provide substantial authority  
25 reflecting the same trend. Mot. for Fees at 12-13. The awards in  
26 other similar cases therefore support an award of 28% of the  
27 Settlement Fund.

1           **G. Reaction of the Class**

2           The reaction of the class may also be a determining factor in  
3 the determining the fee award. Heritage Bond, 2005 U.S. Dist.  
4 LEXIS 13627, at \*48. In response to the 57,630 copies of the  
5 Notice sent out to potential class members, the Court received  
6 only three objections and four requests to opt-out. The Notice  
7 explicitly stated that Lead Counsel would file the instant Motion  
8 for Fees and seek 28% of the Settlement Fund, plus reimbursement  
9 for expenses. None of the objectors raised any concern about the  
10 amount of the fee. This factor, like those above, also supports  
11 the requested award of 28% of the Settlement Fund.

12           **H. Lodestar Comparison**

13           As a final check on the reasonableness of the requested fees,  
14 courts often compare the fee counsel seeks as a percentage with  
15 what their hourly bills would amount to under the lodestar  
16 analysis. See, e.g., Vizcaino, 290 F.3d at 1050-51 ("Calculation  
17 of the lodestar, which measures the lawyers' investment of time in  
18 the litigation, provides a check on the reasonableness of the  
19 percentage award.").

20           Plaintiffs' attorneys spent a total of 7,619.49 hours on this  
21 case, which, at their hourly rates, results in a total lodestar of  
22 approximately \$2,901,492.15. See Westerman Decl. ¶ 97; Fees  
23 Compendium. The requested 28% fee would amount to \$3,850,000.00.  
24 This represents a multiplier of approximately 1.33 times the  
25 lodestar. In similar cases, courts have approved multipliers  
26 ranging between 1 and 4. See In re Chiron Corp. Secs. Litig., No.  
27 C-04-4293 VRW, Docket No. 130, at 17-18 (N.D. Cal. Nov. 30, 2007)

(surveying fee awards in class action suits and rejecting a multiplier of 8.34).

Comparison with the lodestar demonstrates that the requested 28% fee award is reasonable, and further supports the Court's decision to approve the fee application.

**I. Reimbursement of Counsel's Expenses**

The Motion for Fees also seeks to recover from the Settlement Fund \$560,489.90, plus interest, spent by all of Plaintiffs' attorneys in prosecuting this action to date. Attorneys may recover their reasonable expenses that would typically be billed to paying clients in non-contingency matters. See Harris v. Marhoefer, 24 F.3d 16, 19 (9th Cir. 1994).

Plaintiffs' Counsel's expenses are documented in great detail in the declarations from counsel at each of the law firms which represented Plaintiffs in this suit. See Fees Compendium. The expenses relate to photocopying, printing, postage and messenger services, court costs, legal research on Lexis and Westlaw, experts and consultants, and the costs of travel for various attorneys and their staff throughout the case. See id.; Mot. for Fees at 16. Attorneys routinely bill clients for all of these expenses, and it is therefore appropriate for counsel here to recover these costs from the Settlement Fund.

**J. Reimbursement of Lead Plaintiffs' Time and Expenses**

Finally, the Lead Plaintiffs seek to recover \$29,913.80 from the Settlement Fund for reimbursement of their costs and expenses (including lost wages) relating to their representation of the Class. Mot. for Fees at 18. Throughout this litigation, the Lead

1 Plaintiffs have helped form the strategy for the suit, reviewed  
2 pleadings and motions, assisted with preparation for depositions  
3 and the mediation, and consulted with counsel throughout the  
4 negotiation of the Settlement. See Madore Decl., Hannan Decl.,  
5 Peters Decl., Churchill Decl. The Notice adequately informed all  
6 potential Class Members that the Lead Plaintiffs would seek to  
7 recover these costs, and no one objected. It is therefore  
8 appropriate to reimburse Lead Plaintiffs for their reasonable  
9 costs and expenses.

10  
11 **V. CONCLUSION**

12 For the reasons outlined above, the Court GRANTS Plaintiffs'  
13 Motion for Settlement and GRANTS Plaintiffs' Motion for Fees, and  
14 ORDERS as follows:

- 15 1. The Court hereby APPROVES the Settlement and Plan of  
16 Allocation.
- 17 2. The Court AWARDS Plaintiffs' Counsel attorneys' fees in  
18 the amount of 28% of the Gross Settlement Fund.
- 19 3. The Court AWARDS Plaintiffs' Counsel reimbursement of  
20 litigation expenses in the amount of \$560,489.90 from  
21 the Gross Settlement Fund, with interest on such  
22 expenses from the date the Settlement Fund was funded to  
23 the date of payment, at the same net rate the Settlement  
24 Fund earns.
- 25 4. The Court AWARDS Lead Plaintiffs \$29,913.80 from the  
26 Gross Settlement Fund for reimbursement of their  
27 reasonable costs and expenses relating to their  
28



representation of the Class. Awards to individual Lead  
Plaintiffs shall be in the amounts specified in the  
Madore, Hannan, Peters, and Churchill Declarations.

IT IS SO ORDERED.

Dated: December 6, 2007



UNITED STATES DISTRICT JUDGE